

Message Text

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ACTION IO-13

INFO OCT-01 AF-08 ARA-06 EUR-12 EA-07 ISO-00 IOE-00
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TO SECSTATE WASHDC PRIORITY 2067
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FROM ECA DELEGATION

E.O. 11652: N/A
TAGS: UN, ECA, EGEN
SUBJECT: NORTH/SOUTH DIALOGUE: ASSESSMENT OF FOURTH ECA MINISTER-
IAL CONFERENCE

REF: A) KINSHASA 724 (NOTAL); B) KINSHASA 1785 (NOTAL); C) ADDIS
ABABA 2561 (1975) (NOTAL)

SUMMARY:
ECA MINISTERIAL CONFERENCE HIGHLIGHTED THE DISMAL ECONOMIC PER-
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FORMANCE IN AFRICA WHICH HAS SERIOUS IMPLICATIONS FOR POLITICAL
AND SOCIAL STABILITY. AMBASSADOR BOLEN'S ADDRESS WITH ITS EMPHA-
SIS ON INTERDEPENDENCE, COOPERATION, RECOGNITION OF NEED FOR IN-
CREASED RESOURCE TRANSFER WAS COMMENDED BY MANY DELEGATES. THERE
WAS A REMARKABLE ABSENCE OF RHETORIC AT THE CONFERENCE AND A
CLEAR EXPECTATION THAT THE CARTER ADMINISTRATION WILL BE MORE RE-
SPONSIVE IN MEETING AFRICAN POLITICAL AND ECONOMIC CONCERNs.

SERIOUSNESS OF AFRICA'S ECONOMIC SITUATION CALLS FOR PROMPT AND EFFECTIVE ACTION. POLICY IMPLICATIONS ARE SUMMARIZED IN THIS MESSAGE. END SUMMARY.

1. FOURTH MINISTERIAL CONFERENCE OF ECONOMIC COMMISSION FOR AFRICA (FEBRUARY 24 - MARCH 3) WAS QUITE SUCCESSFUL AND HIGH-LIGHTED MANY OF THE SERIOUS ECONOMIC PROBLEMS AND POLICY ISSUES FACING AFRICAN STATES. CONFERENCE WAS CHARACTERIZED BY REALISM, CANDOR, ABSENCE OF RHETORIC, SPIRIT OF COOPERATION, AND STRESS ON NATIONAL AND REGIONAL SELF-RELIANCE. CONFERENCE ATTENDED BY 37 AFRICAN REPS WITH A LARGER NUMBER OF MINISTERIAL-LEVEL DELEGATES THAN AT ANY PREVIOUS ECA CONFERENCE.

2. AMBASSADOR BOLEN'S ADDRESS WAS COMMENDED BY LEADERS OF MANY AFRICAN DELEGATIONS AND REGARDED AS A SIGNAL OF THE NEW ADMINISTRATION'S DESIRE TO BE MORE RESPONSIVE TO AFRICA'S POLITICAL AND ECONOMIC CONCERNs. THERE IS NO DOUBT THAT AFRICAN STATES HAVE HIGH EXPECTATION OF THE CARTER ADMINISTRATION REGARDING NORTH/SOUTH ISSUES.

3. RESPONSIBLE AFRICAN LEADERSHIP AT THE CONFERENCE SEEMED TO RECOGNIZE THAT ANY BASIC CHANGE IN ECONOMIC RELATIONS BETWEEN DEVELOPING AND DEVELOPED COUNTRIES WILL REQUIRE TIME. HOWEVER, THEY CONSIDER IT POLITICALLY IMPORTANT TO DEMONSTRATE SOME IMMEDIATE PROGRESS ON NORTH/SOUTH ISSUES. UNLESS CIEC AND THE SUMMIT OF INDUSTRIAL COUNTRIES PRODUCE SOME CONCRETE RESULTS, AFRICAN LEADERS EXPECT ALL LDC'S WILL CALL FOR A RESUMPTION OF THE 31ST UNGA TO DISCUSS THE ISSUES. THE DIVISIVE RHETORIC IN SUCH A RESUMED SESSION WOULD MAKE THE 6TH SPECIAL SESSION LOOK LIKE A LIMITED OFFICIAL USE

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SUNDAY SCHOOL CLASS. IN OUR VIEW IT WOULD CLEARLY POISON THE ATMOSPHERE FOR INTERNATIONAL AND BILATERAL COOPERATION ON OTHER ISSUES OF MAJOR CONCERN TO US.

4. THE TONE OF THE ECA MINISTERIAL CONFERENCE WAS SET BY EXECUTIVE SECRETARY ADEDEJI WHO PROVIDED A CANDID ANALYSIS OF THE POOR ECONOMIC PERFORMANCE OF AFRICA OVER THE PAST 15 YEARS; FACTORS ANALYZED BY ADEDEJI HAVE SERIOUS IMPLICATIONS FOR POLITICAL AND SOCIAL STABILITY IN AFRICA. THIS ANALYSIS CLEARLY SHOWED THAT AFRICA IS FACED WITH A DEVELOPMENT CRISIS OF GREAT MAGNITUDE WITH AN INCREASING GAP IN INCOME AS COMPARED WITH LDC'S IN SOME OTHER REGIONS. GROWTH RATES IN AFRICA OVER THE PAST 15 YEARS HAVE BEEN SUBSTANTIALLY BELOW THE UN DEVELOPMENT DECADES TARGET AND HAVE BARELY KEPT PACE WITH THE RATE OF POPULATION GROWTH IN MOST AFRICAN COUNTRIES.

5. SALIENT FEATURES OF ECONOMIC GROWTH IN AFRICA OVER THE PAST 15 YEARS HAVE BEEN THE ALL-PERVASIVE IMPACT OF CYCLICAL FLUCTUATIONS IN INDUSTRIAL COUNTRIES ON AFRICA'S EXPORT EARNINGS, COST AND

VALUE OF IMPORTS, INFLATION AND GROWTH OF GROSS DOMESTIC PRODUCT.

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6. THE DISMAL ECONOMIC PERFORMANCE IN AFRICA AS SUMMARIZED BY THE EXECUTIVE SECRETARY, IS HIGHLIGHTED BY THE FACT THAT 14 COUNTRIES WITH PER CAPITA INCOMES BELOW \$100 HAVE EXPERIENCED NO RPT NO GROWTH AT ALL ON A PER CAPITA BASIS SINCE 1960. GIVEN CURRENT RATES OF POPULATION GROWTH, THE ECONOMIES OF THESE COUNTRIES HAVE BEEN DECLINING. THE 22 COUNTRIES WITH PER CAPITA INCOMES OF \$100 TO \$300 ACHIEVED AN AVERAGE GROWTH OVER THE PAST 15 YEARS OF 4.1 PERCENT OR ONLY 1.4 PERCENT ON A PER CAPITA BASIS. THE GROWTH RATE IN AGRICULTURE OVER THE PAST 5 YEARS AVERAGED 2.5 PERCENT AND 90 PERCENT OF THE AFRICANS LIVE IN COUNTRIES WHERE

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THE PER CAPITA AGRICULTURAL PRODUCTION IS ACTUALLY DECLINING. CURRENT PROJECTIONS INDICATE THAT AVERAGE PRICES OF IMPORTANT AFRICAN EXPORT COMMODITIES MAY BE LOWER IN 1980 THAN IN 1974. EXTERNAL DEBT ROSE FROM \$7 BILLION IN 1965 TO MORE THAN \$28 BILLION IN 1974; DEBT SERVICE BURDEN IN SOME COUNTRIES HAS NOW REACHED 30 PERCENT OF EXPORT EARNINGS. HOUSING CONDITIONS ARE RAPIDLY DETERIORATING. UNDER-EMPLOYMENT AND UNEMPLOYMENT ARE POTENTIALLY EXPLOSIVE; BY 1980 LABOR FORCE ESTIMATED INCREASE BY 33 MILLION AND ONLY 50 PERCENT LIKELY TO FIND REMUNERATIVE WORK UNLESS EMPLOYMENT-ORIENTED POLICIES ARE CARRIED OUT.

7. IN ORDER TO TURN THIS DISMAL PICTURE AROUND, ECA EXECUTIVE SECRETARY CALLED FOR (A) NEW NATIONAL ECONOMIC ORDER BASED ON SELF-RELIANCE; (B) NEW REGIONAL ECONOMIC ORDER; AND (C) NEW INTERNATIONAL ECONOMIC ORDER. HE NOTED THAT AFRICA APPEARS TO BE THE LEAST PREPARED FOR THE NEW INTERNATIONAL ECONOMIC ORDER. HE RECOGNIZED THAT THE EFFICIENT ALLOCATION OF RESOURCES IS Equally IMPORTANT AS THE MAGNITUDE OF THESE RESOURCES.

8. CONVERSATIONS WITH NUMEROUS DELEGATES AT THE CONFERENCE MAKE QUITE CLEAR THAT AFRICAN STATES REGARD THE RESTRUCTURING OF INTERNATIONAL ECONOMY AS A CRITICAL FACTOR IN THE ACHIEVEMENT OF THEIR NATIONAL AND REGIONAL ECONOMIC GOALS. MODERATE RESOLUTIONS WERE APPROVED AT THE CONFERENCE DEALING WITH COMMODITIES AND THE DEBT ISSUES; SEVERAL RESOLUTIONS ON OTHER SUBJECTS WERE CAST IN THE CONTEXT OF THE "INTERNATIONAL ECONOMIC ORDER".

9. THE NIEO WAS TREATED IN A RITUALISTIC MANNER AS A GENERAL DOCTRINE ENCOMPASSING INTERNATIONAL COOPERATION, SELF-RELIANCE, AND REGIONAL COOPERATION RATHER THAN THE ACTUAL SPECIFICS OF THE PROGRAM OF ACTION OF THE 6TH SPECIAL SESSION RESOLUTION. THE UNCTAD INTEGRATED COMMODITY PROGRAM AND THE COMMON FUND REMAIN IN THE FOREFRONT OF AFRICAN PRIORITIES, BUT OTHER CONTENTIOUS ISSUES OF THE NIEO AND CERDS--PRODUCER ASSOCIATIONS, INDEXATION, PERMANENT SOVEREIGNTY OVER NATURAL RESOURCES AND THE REDEPLOYMENT OF INDUSTRY TO THE LDC'S-- RECEIVED LITTLE OR NO MENTION.

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10. A RESOLUTION REFERRING TO THE "FAILURE" OF UNCTAD IV WAS NOT ACCEPTABLE TO SEVERAL LDC DELEGATIONS AND THE UNCTAD OBSERVER BECAUSE THEY INSISTED SOME PROGRESS HAD BEEN MADE AND THE DIALOGUE WAS CONTINUING. IT WAS AGREED INSTEAD TO INDICATE DISAPPOINTMENT AT THE SLOW PACE OF THE DIALOGUE IN BOTH UNCTAD AND THE CIEC. THE AFRICANS PUT A RATHER SURPRISING STRESS ON CIEC, GENERALLY EQUATING IT WITH UNCTAD; THERE WAS NO OVERT CRITICISM OF ITS

LIMITED MEMBERSHIP.

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11. THE QUIET AND BUSINESS-LIKE APPROACH THAT CHARACTERIZED THE MEETING AND THE ABSENCE OF IDEOLOGICAL AND CONFRONTATIONAL RHETORIC CAN BE ATTRIBUTED IN PART TO THE FAILURE OF THE AFRICAN COUNTRIES WHICH HAD BEEN THE MOST MILITANT AT THE THIRD SESSION TO SEND HIGHLEVEL DELEGATIONS. YAKER OF ALGERIA, AS CHAIRMAN OF THE EXECUTIVE COMMITTEE, WAS SCHEDULED TO ATTEND AND DELIVER ITS REPORT; HE DID NOT APPEAR. ANGOLA AND MOZAMBIQUE DID NOT ATTEND. TANZANIA PARTICIPATED HARDLY AT ALL; OTHER DELEGATIONS WHICH HAD BEEN AGGRESSIVE IN THE PAST WERE RELATIVELY PASSIVE.

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12. POLICY IMPLICATIONS. THE SERIOUSNESS OF THE ECONOMIC SITUATION IN AFRICA CALLS FOR PROMPT AND EFFECTIVE ACTION NOW. IT IS OUR OVERALL IMPRESSION THAT AFRICAN STATES DESIRE: (A) US SUPPORT FOR THE COMMON FUND; (B) IMMEDIATE LIBERALIZATION AND EXPANSION OF IMF COMPENSATORY FINANCING FACILITIES; (C) MORATORIUM ON DEBT PARTICULARLY FOR LEAST-DEVELOPED COUNTRIES; (D) MAJOR EXPANSION IN US BILATERAL AID AND IMPROVEMENTS IN ITS IMPLEMENTATION; (E) SUBSTANTIAL INCREASE IN US CONTRIBUTIONS TO IDA AND AFRICAN DEVELOPMENT BANK; (F) LIBERALIZATION OF US GENERALIZED PREFERENCE SCHEME; AND (G) PROMOTION OF INCREASED FLOW OF PRIVATE CAPITAL ON A MUTUALLY ADVANTAGEOUS BASIS. SECTORALLY, AFRICANS ARE PLACING MAJOR EMPHASIS ON: (A) RURAL DEVELOPMENT AND AGRICULTURE; (B) HUMAN RESOURCES DEVELOPMENT AND TECHNOLOGY TRANSFERRED; (C) IMPROVEMENT IN PLANNING AND PROJECT IMPLEMENTATION; (D) EXPANSION OF ROADS AND OTHER INFRASTRUCTURE AS AN ESSENTIAL FACTOR IN THE PROMOTION OF REGIONAL COOPERATION; EXPANSION OF AGRICULTURAL PRODUCTION AND IN DELIVERY OF SOCIAL SERVICES; AND (F) SUBREGIONAL COOPERATION IN TRADE, MARKETING, FINANCE AND INDUSTRY TO OVERCOME THE HANDICAP IMPOSED BY THE SMALL SIZE OF AFRICAN MARKETS.

13. IT IS OUR STRONG IMPRESSION THAT A TRANSFER OF INCREASED RESOURCES THROUGH BILATERAL AND MULTILATERAL FINANCIAL INSTITUTIONS IS NOT LIKELY TO SATISFY AFRICAN DEMANDS. SOME ACTION ON COMMODITIES AND DEBT WILL BE REQUIRED TO DEMONSTRATE OUR DESIRE TO SUSTAIN THE PRESENT CLIMATE OF COOPERATION AND AVOID CONFRONTATION.

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